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ACADIANA LEGAL SERVICE CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2007

RECIPIENT NO. 619051

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Release Date 6/11/08

ACADIANA LEGAL SERVICE CORPORATION

RECIPIENT NO. 619051

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

We have audited the accompanying statements of financial position of Acadiana Legal Service Corporation (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acadiana Legal Service Corporation as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2008 on our consideration of Acadiana Legal Service Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Acadiana Legal Service Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bernard Roche Lewis & Breany LLP

Lafayette, Louisiana
April 30, 2008

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ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

| ASSETS | 2007 | 2006 |
|----------------------------|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 151,901 | \$ 163,087 |
| Investments | 78,096 | 75,084 |
| Grants receivable | 116,424 | 21,701 |
| Other current receivables | 23,315 | 9,941 |
| Prepaid expenses | 28,369 | 42,396 |
| Total current assets | 398,105 | 312,209 |
| RESTRICTED ASSETS | | |
| Cash and cash equivalents: | | |
| Client trust accounts | 28,200 | 29,761 |
| NONCURRENT ASSETS | | |
| Utility deposits | 1,190 | 1,190 |
| FIXED ASSETS, net | 324,473 | 380,624 |
| Total assets | \$ 751,968 | \$ 723,784 |

See Notes to Financial Statements.

| LIABILITIES AND NET ASSETS | 2007 | 2006 |
|---|------------|------------|
| CURRENT LIABILITIES (payable from unrestricted assets) | | |
| Accounts payable | \$ 11,935 | \$ 38,909 |
| Accrued liabilities | 172,584 | 141,240 |
| Current portion of capital lease obligations | 12,227 | 13,315 |
| Deferred revenue | 84,575 | 69,144 |
| Total current liabilities (payable from unrestricted assets) | 281,321 | 262,608 |
| CURRENT LIABILITIES (payable from restricted assets) | | |
| Client trust deposits | 28,200 | 29,772 |
| Total current liabilities | 309,521 | 292,380 |
| LONG TERM LIABILITIES | | |
| Capital lease obligation | 827 | 13,497 |
| Total liabilities | 310,348 | 305,877 |
| NET ASSETS | | |
| Temporarily restricted: | | |
| Legal Services Corporation - | | |
| Designated for building fund | 20,000 | 20,000 |
| Undesignated | 109,901 | 43,794 |
| Property | 311,419 | 353,813 |
| Non-LSC | 300 | 300 |
| Total net assets | 441,620 | 417,907 |
| Total liabilities and net assets | \$ 751,968 | \$ 723,784 |

ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| Changes in temporarily restricted net assets: | | |
| Revenues and support - | | |
| Grants and contracts | \$ 2,587,636 | \$ 2,405,268 |
| Investment income | 7,592 | 6,152 |
| Donated services | 2,649 | 36,858 |
| Miscellaneous | 44,734 | 38,107 |
| Net assets released from restrictions | <u>(2,618,898)</u> | <u>(2,530,755)</u> |
| Change in temporarily restricted net assets | <u>23,713</u> | <u>(44,370)</u> |
| Changes in unrestricted net assets: | | |
| Net assets released from restrictions | <u>2,618,898</u> | <u>2,530,755</u> |
| Program expense: | | |
| Legal services | <u>2,173,777</u> | <u>2,070,791</u> |
| Supporting expense: | | |
| Administrative | <u>445,121</u> | <u>459,964</u> |
| Total expenses | <u>2,618,898</u> | <u>2,530,755</u> |
| Change in unrestricted net assets | <u>-</u> | <u>-</u> |
| Total change in net assets | 23,713 | (44,370) |
| Net assets, beginning | <u>417,907</u> | <u>462,277</u> |
| Net assets, ending | <u>\$ 441,620</u> | <u>\$ 417,907</u> |

See Notes to Financial Statements.

ACADIANA LEGAL SERVICE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

| | Legal Services | Supporting Services Administrative | Total |
|-----------------------------------|---------------------|--|---------------------|
| Salaries and wages: | | | |
| Lawyers | \$ 724,847 | \$ 45,060 | \$ 769,907 |
| Non-lawyers | 570,202 | 236,824 | 807,026 |
| Employee benefits | 306,033 | 66,188 | 372,221 |
| Space cost and renovations | 112,806 | 24,397 | 137,203 |
| Equipment rentals and maintenance | 13,966 | 3,021 | 16,987 |
| Office supplies and expenses | 44,604 | 9,647 | 54,251 |
| Travel and training | 71,979 | 15,568 | 87,547 |
| Depreciation | 78,978 | 17,081 | 96,059 |
| Library and other supplies | 35,810 | - | 35,810 |
| Telephone | 63,846 | 13,808 | 77,654 |
| Insurance | 44,833 | 9,696 | 54,529 |
| Contractual services | 6,161 | 1,332 | 7,493 |
| Membership fees | 11,553 | 2,499 | 14,052 |
| Litigation costs | 6,960 | - | 6,960 |
| Subgrants | 27,574 | - | 27,574 |
| Access to justice | 16,398 | - | 16,398 |
| Miscellaneous | 37,227 | - | 37,227 |
| | <u>\$ 2,173,777</u> | <u>\$ 445,121</u> | <u>\$ 2,618,898</u> |

See Notes to Financial Statements.

ACADIANA LEGAL SERVICE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006

| | Legal Services | Supporting Services Administrative | Total |
|-----------------------------------|---------------------|--|---------------------|
| Salaries and wages: | | | |
| Lawyers | \$ 713,879 | \$ 42,210 | \$ 756,089 |
| Non-lawyers | 526,906 | 226,471 | 753,377 |
| Employee benefits | 278,925 | 60,945 | 339,870 |
| Space cost and renovations | 111,769 | 24,422 | 136,191 |
| Equipment rentals and maintenance | 19,993 | 4,369 | 24,362 |
| Office supplies and expenses | 45,684 | 9,982 | 55,666 |
| Travel and training | 54,151 | 11,832 | 65,983 |
| Depreciation | 81,613 | 17,833 | 99,446 |
| Library and other supplies | 35,580 | - | 35,580 |
| Telephone | 58,681 | 12,822 | 71,503 |
| Insurance | 42,129 | 9,205 | 51,334 |
| Contractual services | 5,967 | 37,318 | 43,285 |
| Membership fees | 11,695 | 2,555 | 14,250 |
| Litigation costs | 6,315 | - | 6,315 |
| Subgrants | 38,741 | - | 38,741 |
| Access to justice | 11,398 | - | 11,398 |
| Miscellaneous | 27,365 | - | 27,365 |
| | <u>\$ 2,070,791</u> | <u>\$ 459,964</u> | <u>\$ 2,530,755</u> |

See Notes to Financial Statements.

ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 23,713 | \$ (44,370) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 96,059 | 99,446 |
| Changes in assets and liabilities – | | |
| (Increase) decrease in assets: | | |
| Grants and contracts receivable | (94,723) | 51,486 |
| Other current receivables | (13,374) | 20 |
| Prepaid expenses and other assets | 14,027 | 14,092 |
| Client trust accounts | 1,561 | (1,547) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (26,974) | 27,164 |
| Accrued liabilities | 31,343 | (15,684) |
| Deferred revenues | 15,431 | 47,394 |
| Client trust deposits | <u>(1,572)</u> | <u>1,548</u> |
| Net cash provided by operating activities | <u>45,491</u> | <u>179,549</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (39,907) | (20,852) |
| Purchases of investments | <u>(3,012)</u> | <u>(1,851)</u> |
| Net cash used in investing activities | <u>(42,919)</u> | <u>(22,703)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease payable obligations | <u>(13,758)</u> | <u>(9,796)</u> |
| Net increase (decrease) in cash and cash equivalents | (11,186) | 147,050 |
| Cash and cash equivalents, beginning | <u>163,087</u> | <u>16,037</u> |
| Cash and cash equivalents, ending | <u><u>\$ 151,901</u></u> | <u><u>\$ 163,087</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for interest | <u><u>\$ 3,078</u></u> | <u><u>\$ 3,543</u></u> |

See Notes to Financial Statements.

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Acadiana Legal Service Corporation (the "Corporation") is a nonprofit organization created in 1978 to provide legal assistance in non-criminal proceedings or matters to persons unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (the "LSC"), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of LSC. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements is classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

Investments:

Investments are stated at cost or amortized cost, which approximates market. As of December 31, 2007, the Corporation's investments consisted solely of certificates of deposit.

Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 25 |
| Furniture and equipment | 3 – 10 |
| Library | 10 |

Deferred revenue:

Deferred revenue is recognized for grants, awards, or other income received which are not considered to be earned at balance sheet date.

Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

The Corporation also receives funding from various other organizations as described in Note 6.

Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period.

Income taxes:

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Private attorney involvement (PAI):

LSC requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

The Corporation maintains bank accounts at several banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts on deposit at these banks in excess of the FDIC limit may exceed this coverage at various times throughout the year.

Note 3. Grant and Contract Receivables

Grant and contract receivables at December 31, 2007 and 2006 consisted of the following:

| | 2007 | 2006 |
|---|-------------------|------------------|
| Cajun Area Agency on Aging, Inc. | \$ 4,521 | \$ 2,756 |
| Cenla Area Agency on Aging, Inc. | - | 1,765 |
| Vernon Parish Council on Aging, Inc. | 13,432 | 14,613 |
| Cenla Caregiver | - | 809 |
| Southeast Louisiana Legal Service - Road Home | 89,481 | - |
| Lafayette Parish Clerk of Court | 2,437 | - |
| Lafayette City Court | 239 | - |
| Alexandria City Court | 266 | 314 |
| Rapides Parish Clerk of Court | 1,249 | 1,444 |
| Beauregard Council on Aging | 1,709 | - |
| Allen Council on Aging | 1,709 | - |
| Lafayette Parish Bar Foundation | 1,381 | - |
| Total grants and contracts receivable | <u>\$ 116,424</u> | <u>\$ 21,701</u> |

Note 4. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. LSC has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

| | 2007 | 2006 |
|--------------------------------|--------------------|--------------------|
| Buildings and improvements | \$ 887,943 | \$ 887,943 |
| Furniture and equipment | 1,540,477 | 1,500,569 |
| Library | 240,516 | 240,516 |
| Land | 203,665 | 203,665 |
| Total fixed assets | 2,872,601 | 2,832,693 |
| Less: accumulated depreciation | <u>(2,548,128)</u> | <u>(2,452,069)</u> |
| Net fixed assets | <u>\$ 324,473</u> | <u>\$ 380,624</u> |

Depreciation expense for the years ended December 31, 2007 and 2006 totaled \$96,059 and \$99,446, respectively.

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 5. Accrued Liabilities

Included in accrued liabilities is annual leave, which vests with the employee and is payable upon termination, totaling \$125,497 and \$108,004 at December 31, 2007 and 2006, respectively. Maximum annual leave amounts, which can be carried over to subsequent years, are 225 hours per employee for employees with more than three years of service and 150 hours per employee for employees with less than three years of service. Also included in accrued liabilities is \$46,455 and \$27,657 of accrued wages and salaries at December 31, 2007 and 2006, respectively. The remaining balance in accrued liabilities represents miscellaneous items.

Note 6. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2007:

| <u>Funding Source</u> | <u>Period</u> | <u>Support</u> |
|---|---------------------|----------------|
| Legal Services Corporation: | | |
| Basic Field - General Grant | 01/01/07 - 12/31/07 | \$ 1,935,365 |
| Louisiana Bar Foundation: | | |
| IOLTA Grant | 01/01/07 - 12/31/07 | 250,990 |
| Cajun Area Agency on Aging, Inc.: | | |
| Title III-B 2004-2005 Grant | 07/01/06 - 06/30/07 | 16,537 |
| Title III-B 2005-2006 Grant | 07/01/07 - 06/30/08 | 16,537 |
| | | 33,074 |
| Cenla Area Agency on Aging, Inc.: | | |
| Title III-B & E 2005-2006 Grant | 07/01/06 - 06/30/07 | 15,443 |
| Title III-B & E 2006-2007 Grant | 07/01/07 - 06/30/08 | 10,591 |
| | | 26,034 |
| Gillis W. Long Poverty Law Center | | 4,000 |
| United Way of Acadiana | 07/1/06 - 06/30/07 | 50,000 |
| Allen Council on Aging | | 1,709 |
| Louisiana Bar Foundation - Special Disaster Grant | 07/1/06 - 06/30/07 | 19,550 |
| Lafayette Parish Bar Foundation - Filing Fees | | 14,323 |
| Beauregard Council on Aging | | 1,709 |
| American Bar Association | | 6,075 |

(continued)

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Summary of Funding - continued

| | |
|---|---------------------|
| Vernon Parish Council on Aging, Inc. | \$ 4,537 |
| State of Louisiana, Department of Treasury | <u>139,244</u> |
| Southeast Louisiana Legal Services: Road Home | <u>103,349</u> |
| Community Foundation of Acadiana | <u>12,000</u> |
| Other miscellaneous support | <u>40,652</u> |
| Total grants, contracts and miscellaneous support | <u>\$ 2,642,611</u> |

Note 7. Lease of Facilities

The Corporation leases various facilities to serve as branch offices. For the years ended December 31, 2007 and 2006, the Corporation expended \$66,273 and \$67,897, respectively, on lease payments.

As of December 31, 2007, the Corporation was leasing office space in Lake Charles. This lease began November 1, 2004 and extends for five years. Monthly rental payments during year one amounted to \$2,284. During year two, monthly rental payments amount to \$2,408. During years three to five, monthly rental payments amount to \$2,535. The Corporation has the option to renew this lease for an additional 36 months.

As of December 31, 2007, the Corporation was leasing space for the exclusive use of two offices in Lake Charles. The lease was renewed in 2006 to extend to February 28, 2008. Total annual lease payments associated with this lease amount to \$7,725.

As of December 31, 2007, the Corporation was leasing office space in Alexandria. The initial term of this lease ran from April 1, 2004 to March 31, 2007. Initial monthly payments during the initial term amount to \$1,300. The Corporation renewed the lease term for another year on March 1, 2007. The lease term was extended through March 31, 2008. Rental payments during the renewal period are \$1,400 a month. The Corporation has an option to renew the lease for another year after the current lease period.

Total minimum rental payments expected under these leases are as follows:

| | |
|------|------------------|
| 2008 | \$ 35,908 |
| 2009 | <u>25,350</u> |
| | <u>\$ 61,258</u> |

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Lease Obligations

During 2007, the Corporation acquired various equipment under the provisions of a capital leases. The leased equipment was recorded at \$36,558 with the accumulated depreciation on these assets totaling \$12,202 as of December 31, 2007.

Capital lease obligations as of December 31, 2007 and 2006 consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|---|-----------------|------------------|
| Capital lease payable in 24 monthly installments of \$528 on a telephone system, the effective rate of interest is 23.89%, matures July 2008. | \$ 2,833 | \$ 7,796 |
| Capital lease payable in 36 monthly installments of \$417 on a copier, the effective rate of interest is 11.34%, matures February 2009. | 5,479 | 9,634 |
| Capital lease payable in 36 monthly installments of \$455 on a copier, the effective rate of interest is 11.26%, matures November 2008. | <u>4,742</u> | <u>9,382</u> |
| | 13,054 | 26,812 |
| Less current portion | <u>(12,227)</u> | <u>(13,315)</u> |
| Long-term capital lease obligation | <u>\$ 827</u> | <u>\$ 13,497</u> |

Future maturities of capital lease obligations as December 31, 2007 were as follows:

| <u>Year Ending, December 31</u> | <u>Gross Lease Payments</u> | <u>Amount Representing Interest</u> | <u>Principle Portion</u> |
|-------------------------------------|---------------------------------|---|------------------------------|
| 2008 | \$ 13,075 | \$ 848 | \$ 12,227 |
| 2009 | 839 | 12 | 827 |
| 2010 | - | - | - |
| 2011 | - | - | - |
| 2012 | - | - | - |
| | <u>\$ 13,914</u> | <u>\$ 860</u> | <u>\$ 13,054</u> |

Interest expense for the years ended December 31, 2007 and 2006 was \$3,687 and \$3,543, respectively.

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 9. Grants to Other Agencies

During the year, the Corporation granted \$17,000 of LSC funds to the Lafayette Parish Bar Foundation's Lafayette Volunteer Lawyers Project and \$10,574 to the Central Louisiana Pro Bono Project. Both subgrantees are pro bono programs, which use the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2007, both subgrantees had expended all these funds. Additionally, the Corporation grants small amounts to various local organizations to facilitate the providing of various legal services. As of December 31, 2007, all these organizations had complied with all significant requirements of those subgrants.

Note 10. Retirement Plan

The Corporation established a 403(b) retirement plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors. The Corporation contributed \$13,152 and \$14,560 to the Plan for the years ended December 31, 2007 and 2006, respectively.

Note 11. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, LSC accounted for 73% and 74% of the total support of the Corporation in 2007 and 2006, respectively.

Note 12. Federal and State Grants

The Corporation participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2007 and through the date of this report.

SUPPLEMENTARY INFORMATION

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARD AND EXPENDITURES
LEGAL SERVICE CORPORATION – BASIC FIELD – GENERAL
Year Ended December 31, 2007

| | |
|--------------------------------------|-------------------|
| Revenue and support: | |
| Grant award | \$ 1,935,365 |
| Interest and miscellaneous | <u>7,592</u> |
| Total revenue and support | <u>1,942,957</u> |
| Non-capital expenditures: | |
| Salaries and wages - | |
| Lawyer | 342,127 |
| Non-lawyer | 706,640 |
| Employee benefits | 282,109 |
| Space cost and renovations | 127,439 |
| Equipment rental and maintenance | 12,877 |
| Office supplies and expenses | 46,916 |
| Travel and training | 81,017 |
| Library | 34,019 |
| Telephone | 64,554 |
| Insurance | 51,154 |
| Contractual services | 4,578 |
| Membership fees | 2,648 |
| Subgrants | 27,574 |
| Access to justice | 10,055 |
| Miscellaneous | <u>29,479</u> |
| Total non-capital expenditures | <u>1,823,186</u> |
| Capital expenditures: | |
| Purchase of equipment | 39,907 |
| Principle payments on capital leases | <u>13,757</u> |
| Total capital expenditures | <u>53,664</u> |
| Revenue and support net of expenses | 66,107 |
| Net assets, beginning | <u>63,794</u> |
| Net assets, ending | <u>\$ 129,901</u> |

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT EXPENSES
Year Ended December 31, 2007

| | |
|--|-------------------|
| Salaries and wages: | |
| Lawyer | \$ 124,071 |
| Non-lawyer | 46,558 |
| Employee benefits | 38,623 |
| Space cost and renovations | 1,729 |
| Equipment rental and maintenance | 1,747 |
| Office supplies and expenses | 6,367 |
| Travel and training | 10,994 |
| Telephone | 8,760 |
| Insurance | 6,942 |
| Library | 4,616 |
| Contractual services | 621 |
| Membership fees | 359 |
| Subgrants | 27,574 |
| Access to justice | 16,398 |
| Miscellaneous | <u>4,000</u> |
| Total private attorney involvement expenses | <u>\$ 299,359</u> |
| Compliance requirement percentage | <u>12.50%</u> |
| Actual percentage of Legal Services Corporation annual support | <u>16.42%</u> |

ACADIANA LEGAL SERVICE CORPORATION
SCHEDULE OF GRANT AWARD AND EXPENDITURES
LOUISIANA BAR ASSOCIATION – IOLTA GRANT
Year Ended December 31, 2007

| | |
|-------------------------------------|--------------------|
| Grant award | \$ <u>250,990</u> |
| Expenditures: | |
| Salaries and wages - | |
| Lawyer | 142,203 |
| Non-lawyer | 37,923 |
| Employee benefits | 46,099 |
| Office supplies and expenses | 690 |
| Travel and training | 583 |
| Audit expense | 590 |
| Membership fees | 11,404 |
| Litigation fees | 3,718 |
| Access to justice | 6,343 |
| Telephone expense | <u>1,437</u> |
| Total expenditures | <u>250,990</u> |
| Revenue and support net of expenses | <u>-</u> |
| Grant award, net of expenditures | <u><u>\$ -</u></u> |

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF FEDERAL EXPENDITURES
Year Ended December 31, 2007

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| Legal Services Corporation: Basic Field – General Grant | 09.619051 | \$ <u>1,876,850</u> |

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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John L. Istre, CPA*

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Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Donald W. Kelley, CPA* 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

We have audited the financial statements of Acadiana Legal Service Corporation (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (#2007-1.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Lafayette, Louisiana
April 30, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

Compliance

We have audited the compliance of Acadiana Legal Service Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation, that are applicable to each of its major federal programs for the year ended December 31, 2007. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

$$\begin{aligned}
 & \text{The } \mathcal{L}_2 \text{ norm of } \mathbf{y} \text{ is } \|\mathbf{y}\|_2 = \sqrt{\mathbf{y}^T \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}} \\
 & \text{The } \mathcal{L}_2 \text{ norm of } \mathbf{y} \text{ is } \|\mathbf{y}\|_2 = \sqrt{\mathbf{y}^T \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}} = \sqrt{\mathbf{y}^T \mathbf{A} \mathbf{y}}
 \end{aligned}$$

* A Professional Accounting Corporation

Internal Control over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that non compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Lafayette, Louisiana
April 30, 2008

ACADIANA LEGAL SERVICE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

We have audited the financial statements of Acadiana Legal Service Corporation as of and for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of Legal Services Corporation's Audit Guide for Recipients and Auditors and Compliance Supplement for Audits of LSC Recipients. Our audit of the financial statements as of December 31, 2007 resulted in an unqualified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes ☒ No ☐ Significant Deficiencies Yes ☒ No ☐

Compliance

Compliance Material to Financial Statements Yes ☐ No ☒

b. Federal Awards

Internal Control

Material Weaknesses Yes ☐ No ☒ Reportable Conditions Yes ☐ No ☒

Type of Opinion on Compliance Unqualified ☒ Qualified ☐
For Major Programs Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? Yes ☐ No ☒

c. Identification of Major Programs

| <u>CDFA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------|
|--------------------|--------------------------------|

| | |
|-----------|-----------------------|
| 09.619051 | Basic Field - General |
|-----------|-----------------------|

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

Yes ☐ No ☒

Section II. Financial Statement Findings

#2007-1 Internal Controls Over Financial Reporting

Finding: During our audit we determined that certain transactions were reflected in allocation worksheets, such as reporting forms. These transactions were not properly reflected in the general ledger. In addition, certain key general ledger control accounts were not reconciled at the end of the year. Specifically, the accounts payable subsidiary ledger was not reconciled to the general ledger. We believe that these control deficiencies could result in a material misstatement or multiple misstatements which when aggregated could amount in a material misstatement of financial results. In the current year, amounts reported as expenditures to granting agencies were overstated by approximately \$22,000 as a result of these deficiencies. This may have been prevented had these reconciliations been accurate.

Recommendation: We recommend that all transactions be recorded within the accounting system and that all balance sheet accounts be reconciled at the end of each period prior to closing.

ACADIANA LEGAL SERVICE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Response: All subsidiary ledgers will be reconciled accurately to the general ledger monthly. In addition, effective January 1, 2008 a new chart of accounts has been adopted to better reflect allocation of expenses by grant. This will better facilitate the recordation of all transactions within the accounting system.

Section III. Federal Award Findings and Questioned Costs

None.

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2007

Section I. Internal Control and Compliance Material to the Financial Statements

#2006-1 Internal Controls Over Financial Reporting

Recommendation: Management should ensure that the previous year, once finalized, is closed within the accounting system. Failure to perform this basic control procedure can lead to undetected errors in financial reporting including grant reporting. Additionally, all transactions should be recorded within the accounting system. We suggest that management consider reorganizing the chart of accounts to track income and expense by grant as opposed to doing a manual allocation at the end of the year.

Current status: During our audit of 2007 we noted that the prior year had been properly closed. With respect to accounting transactions taking place outside of the accounting system, in 2007 the corporation utilized an outside allocation method to reflect expenditures by grant. However, in 2007, the Board of Directors approved a reorganization of the chart of accounts to track income and expense by grant for implementation in 2008.

Section II. Internal Control and Compliance Material to Federal Awards

None.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2006.

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MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2007

Section I. Internal Control and Compliance Material to the Financial Statements

#2007-1 Internal Control Over Financial Reporting

Finding: During our audit we determined that certain transactions were reflected in allocation worksheets outside of the accounting system. In addition, certain key general ledger control accounts were not reconciled at the end of the year. Specifically, the accounts payable subsidiary ledger was not reconciled to the general ledger. This caused amounts reported as expenditures to granting agencies to be overstated by approximately \$22,000 in the current year.

Recommendation: We recommend that all transactions be recorded within the accounting system and that all balance sheet accounts be reconciled at the end of each period prior to closing.

Corrective Action: All subsidiary ledgers will be reconciled accurately to the general ledger monthly. In addition, effective January 1, 2008 a new chart of accounts has been adopted to better reflect allocation of expenses by grant. This will better facilitate the recordation of all transactions within the accounting system.

Section II. Internal Control and Compliance Material to Federal Awards

None

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2006.

Responsible party: Joseph R Oelkers
Executive Director